

Message Text

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PAGE 01 GEORGE 01385 081912Z

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ACTION SS-30

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 0114

C O N F I D E N T I A L GEORGETOWN 1385

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DEPARTMENT PASS OPIC

E.O. 11652: GDS

TAGS: EMIN, PFOR, GY

SUBJECT: REYNOLDS GUYANA

1. FOLLOWING COUNTERPROPOSAL MADE BY REYNOLDS AT MEETING WITH GOG NEGOTIATING TEAM THIS MORNING:

A. NEW REVENUE TO BE LEVIED ON TOTAL BAUXITE TONNAGE, BOTH METALURGICAL AND CHEMICAL.

B. REYNOLDS TO BE ASSURED FOR FIVE YEARS AGAINST TAX INCREASES, NATIONALIZATION, PARTICIPATION OR OTHER INTERFERENCE WITH OPERATIONS.

C. REYNOLDS ACCEPTS FORMULA BASIS PROPOSED BY GOG, I.E., VARIABLE REVENUE BASED ON PERCENTAGE OF AVERAGE REALIZED INGOT PRICE.

D. A REVENUE PACKAGE GIVING GOG US \$3 MILLION FOR 1974 FROM ALL LEVIES ON REYNOLDS GUYANA OPERATIONS IS ACCEPTABLE. REYNOLDS COMPUTES THIS AS EQUIVALENT OF 1.48 PERCENT IN GOG FORMULA AND NOTED THAT IT REPRESENTS ROUGHLY THREE-FOLD INCREASE IN GOVERNMENT REVENUES AS AGAINST TWO-FOLD INCREASE IN CASE OF REYNOLDS UNDER FINAL JOINT COMPANY OFFER TO JAMAICA.

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PAGE 02 GEORGE 01385 081912Z

2. REACTION OF MINISTER JACK REPORTED TO HAVE BEEN MATTER-OF-FACT. HE EXPRESSED APPRECIATION FOR REYNOLDS WILLINGNESS TO ACCEPT FORMULA BASIS AND ALLUDED TO POSSIBILITY THAT ANY GOVERNMENT GRANTING REYNOLDS TENURE ASSURANCES MIGHT ITSELF HAVE LIMITED TENURE JACK INDICATED THAT REVENUE NEGOTIATIONS COULD CONTINUE, BUT THAT URGENCY OF GOG REVENUE NEEDS WILL REQUIRE THAT IT LEGISLATE NEW LEVY IN INTERIM, TO BE ADJUSTED LATER TO NEGOTIATED LEVELS. REYNOLDS TEAM ASSUMES "INTERIM" LEVY WOULD BE AT OR NEAR 8 1/2 PERCENT LEVEL AND DOES NOT VIEW JACK'S SCENARIO AS AVOIDING TAX CRUNCH.

3. JACK SEEING PRIME MINISTER MIDDAY TODAY AND IS TO ADVISE REYNOLDS TEAM OF REACTION TO THEIR OFFER.

4. ROBERTS ALSO REPORTED ON HIS BREAKFAST MEETING TODAY WITH SIR LIONEL LUCKHOO, WHO EXPRESSED WORRY THAT MODERATE VIEWS LOSING GROUND WITHIN GOG ON REYNOLDS ISSUE. LUCKHOO SEES SUGAR AS ONLY USG LEVERAGE LIKELY TO HAVE EFFECT AND FEELS USG SHOULD ACT QUICKLY TO USE IT. AMBASSADOR REMINDED ROBERTS THAT STATUS OF LEGISLATION PRECLUDES ANYTHING BEING DONE THIS YEAR AND THAT SUGAR LEGISLATION MAY NOT BE REENACTED.

5. REYNOLDS GROUP HAD TO LEAVE FOR LUNCHEON WITH GOG TEAM (MINUS JACK) SO WE HAD LITTLE OPPORTUNITY TO QUESTION THEM CONCERNING THE REYNOLDS PROPOSAL AND THEIR THOUGHTS ON NEXT STEPS. KREBS

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